

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 2223 – Wind Energy Tax Credits (LSB 5589 SV)

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Fiscal Note Version – New

Description

Senate File 2223 makes changes to Iowa's tax incentive structure for large wind energy production facilities (Chapter 476B, Code of Iowa). The Bill provides for State bank equity interests in wind energy production facilities, changes the ability to transfer tax credit certificates, extends a July 1, 2009, deadline to July 1, 2012, limits the maximum capacity of a single generating site to 35 megawatts, and allows for tax credits to be earned for electricity generated and used on-site.

Background

Chapter 476B establishes a one-cent per kilowatt hour tax credit for electricity generated by a qualified wind energy facility and sold to an unrelated person. The maximum nameplate generation capacity that may be approved under the program is 450 megawatts. Qualified facilities must be placed in service prior to July 1, 2009. The Program was created in SF 2298 (FY 2005 Omnibus Appropriations Act).

Through February 2008, 85 megawatts of generating capacity have been approved and another 105 megawatts are pending approval. This leaves 260 megawatts unclaimed. The approved projects are in Worth and Cerro Gordo counties and the pending projects are in Emmet, Dickinson, and Kossuth counties.

Under current law, tax credit certificates may only be transferred once and the type of tax the credit can be claimed against cannot be changed.

Assumptions

1. No projects, in addition to the current 190 megawatts approved or pending, will be approved by the July 1, 2009, deadline.
2. With the enhancements provided in the Bill, the remaining 260 megawatts will be constructed and operational by the July 1, 2012, deadline.
3. The Iowa Utilities Board (IUB) may be required to conduct on-site audits of electricity generation and usage at facilities allowed tax credits for electricity consumed on-site.
4. The two projects either approved or pending that exceed the proposed 35 megawatt maximum will be allowed to move forward and earn credits.
5. The projects will not receive an exemption or abatement from sales or property tax through any other State tax incentive program.
6. Positive impacts on net General Fund revenue include sales and income tax paid during construction of the wind energy facility and property tax deposited to the State General Fund for 12 years pursuant to Section 476B.6, Code of Iowa. There is also a projected reduction in the State School Aid appropriation after the 12-year period expires. The negative impact is redemption of earned tax credits.

Fiscal Impact

The current large wind energy program will not reach its full 450 megawatt nameplate capacity by the July 1, 2009, deadline. The Revenue Estimating Conference will address revisions to the original estimates for SF 2298 at the April 4, 2008, meeting.

Extending the deadline for projects to enter production will have a fiscal impact by extending the time available to earn tax credits.

The fiscal impact of extending the deadline will be initially positive to the State General Fund as a result of sales and income taxes paid during construction of the wind facilities. Over a 16-year period the direct net General Fund fiscal impact is an estimated reduction of \$8.7 million. The details of the estimate are provided in the following table with the net impact presented in the final column.

260MW Constructed - 100.0% Credit Induced							
Consolidated Property Tax to the State for 12 Years							
	Megawatts Constructed	Tax Credits Awarded	School Aid Change	Corporate and Personal Tax	Sales Tax to State	Property Tax to State	Net General Fund Impact
FY 2010	90	\$ 0	\$ 0	\$ 819,000	\$ 2,700,000	\$ 0	\$ 3,519,000
FY 2011	90	-2,878,000	0	848,000	2,700,000	0	670,000
FY 2012	80	-5,755,000	0	785,000	2,400,000	2,317,000	-253,000
FY 2013		-8,313,000	0	83,000	0	4,552,000	-3,678,000
FY 2014		-8,313,000	0	83,000	0	6,443,000	-1,787,000
FY 2015		-8,313,000	0	83,000	0	6,195,000	-2,035,000
FY 2016		-8,313,000	0	83,000	0	5,937,000	-2,293,000
FY 2017		-8,313,000	0	83,000	0	5,671,000	-2,559,000
FY 2018		-8,313,000	0	83,000	0	5,395,000	-2,835,000
FY 2019		-8,313,000	0	83,000	0	5,110,000	-3,120,000
FY 2020		-8,313,000	0	83,000	0	4,815,000	-3,415,000
FY 2021		-5,436,000	0	83,000	0	4,510,000	-843,000
FY 2022		-2,558,000	0	83,000	0	4,194,000	1,719,000
FY 2023		0	0	83,000	0	3,869,000	3,952,000
FY 2024		0	185,000	83,000	0	2,424,000	2,692,000
FY 2025		0	346,000	83,000	0	1,092,000	1,521,000
Total	260	\$ -83,131,000	\$ 531,000	\$ 3,531,000	\$ 7,800,000	\$ 62,524,000	\$ -8,745,000

The IUB has identified \$40,000 to \$160,000 in potential annual staff and related expenditures if enactment of the Bill requires IUB staff to monitor energy production and on-site consumption at facilities that are not required to sell produced electricity to an unrelated entity. Any required expenditures would be funded through utility company fee assessment.

Sources

Iowa Utilities Board
Iowa Department of Revenue
Legislative Services Agency Analysis

/s/ Holly M. Lyons

March 19, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.